

Due Diligence Findings

During the due diligence period, Ashley Development hired Summit Drilling to complete test boring on the site to determine the subsurface conditions. From our knowledge of the area and information gathered on from the informational plaque located on the adjacent property to the east of the site, we anticipated hitting rock. Below are the results of the borings; indicative of site subsurface conditions.

Rock Boring Results: Boring at the site to 49 feet. Rock was initially encountered at approximately 10.5 feet. First core was from 12-17. Only 1 foot of core, remaining 4 feet was very decomposed rock. From 13-19 consisted of very decomposed rock, unable to core. From 19-24 very weathered rock, unable to core. Second core from 24-29. Third core from 29-34. Fourth core from 34-39. Fifth core from 39-44. Sixth core from 44-49. Voids were encountered from 32-36.5 and 43-44. All rock is very fractured and mostly weathered considerably. Recovery and Rock Quality Designation (RQD) were determined for all core runs. First core recovery (12-17) was 16% and RQD was 0%. Second core recovery (24-29) was 60% and RQD was 26.4%. Third core recovery (29-34) was 62% and RQD was 16%. Fourth core recovery (34-39) was 32% and RQD was 0%. Fifth core recovery (39-44) was 46% and RQD was 0%. Sixth core recovery (44-49) was 63% and RQD was 16.4%.

Some possible approaches to dealing with the issue of rock as the borings have concluded are pressure grouting and an increase in detail to foundation design. Findings such as these indicate conditions similar to those encountered on One East Broad Professional Building in Bethlehem. At the Bethlehem location, over \$200,000 of cement had to be poured into a void found on the site, in order to create a stable base for the 5 story building that was completed last year. Such costs are very prohibitive to development in climates of high construction costs. Also, due to the fact that subsurface conditions are typically unpredictable, regardless of the number of borings. These variables create very ambiguous estimates, as far as site work timelines are concerned, until the work has commenced.

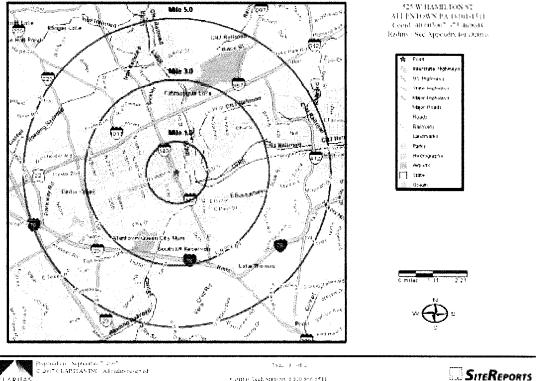
Preliminary pro forma analysis of the property indicate that the building would cost between \$12 and \$15 million to construct with a construction timeline of approximately 12 months to complete after breaking ground.



Demographic Information

Population	Description	Description $0.00 - 1.00$ miles $Radius 3 - P_0$		0.00 - 3.00 miles Radius 2 - %		0.00 - 5.00 miles Radius 3 - ° **	
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2012 Projection	Growth 1990 • 2000	3.350 ₀		1:54%		1.23%	
2007 Estimate	Househokis						
15.082	2012 Projection	15,304		51,900		93,201	
1990 Census	·	15.191		51,431		91.187	
The control of the	2000 Census	15,082		51.090		88,629	
2007 Est. Population by Single Glassification Race 42,615 130,410 229,528	1990 Census	16.246		51.432		87.050	
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Black or African American Alone	2007 Est. Population by Single Classification Race	42.615		130,410		229,528	
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Market Study

The above data shows a demographic snap shot of one, three, and five mile rings from the subject site. Market Data obtained through a search on the Lehigh Valley Multiple Listing Service, shows a wide range of office rents. The most comparable Class A office building within the Central Business district of Allentown is the Liberty Plaza and the office building located at 13 North 10th street. These buildings indicate a rental rate range of \$14 - \$18 per square foot.

For the type and size building proposed for the subject site, rents ranging from \$16 to \$18 per square foot would need to be achieved based on preliminary pro formas of construction costs. Due to the current financial lending market climate and Ashley Development's internal hurdle rates, construction would not begin until after a debt service coverage ratio of 1 to 1 would be achieved through pre-leasing. Not unlike other successful Ashley Development projects, spending the time up front to obtain tenant commitment insures that a project can withstand market fluctuations, since the cost of debt to construct the building would be covered. During the due diligence period, Ashley Development has had positive office leads for this site, but nothing concrete enough to report a this time. Ashley Development continues to hold the opinion that achieving the debt ratio needed to begin construction can be achieved within 8 months to 12 months.